Western Decalta Petroleum Limited

Annual Report 1970

In this report

All figures and interest shown for "Decalta" or "the Company", unless otherwise stated, represent the consolidated total of Decalta and its subsidiaries for the year 1970.

Directors

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Private Investments

RALPH C. C. HENSON, Toronto, Ontario
Director of Standard Securities Limited

N. K. KINKEAD-WEEKES, London, England
Director and Manager of Charter Consolidated Limited
Alternate Director and Manager of Anglo American Corporation of South Africa, Limited
Director of Interlink Investments Limited

CHARLES S. LEE, Calgary, Alberta
President of the Company
President of The Petrol Oil & Gas Company, Limited
Director of Consolidated West Petroleum Limited

F. RICHARD MATTHEWS, Q.C., Calgary, Alberta
Partner in MacKimmie Matthews
Barristers and Solicitors

ALAN B. McKERRON, Toronto, Ontario
Vice-President of Anglo American Corporation of Canada Limited
Director of Interlink Investments Limited

GAVIN W. H. RELLY, Toronto, Ontario
President of Anglo American Corporation of Canada Limited
President of Interlink Investments Limited

ALASTAIR H. ROSS, Calgary, Alberta
Vice-President and General Manager of the Company
Vice-President of The Petrol Oil & Gas Company, Limited
President of Consolidated West Petroleum Limited

SIDNEY SPIRO, London, England
Chairman and Managing Director of Charter Consolidated Limited
Director of Interlink Investments Limited

DR. ARNOLD E. WATERS, JR., Toronto, Ontario
Vice-President, Exploration, Anglo American Corporation of Canada Limited

Officers

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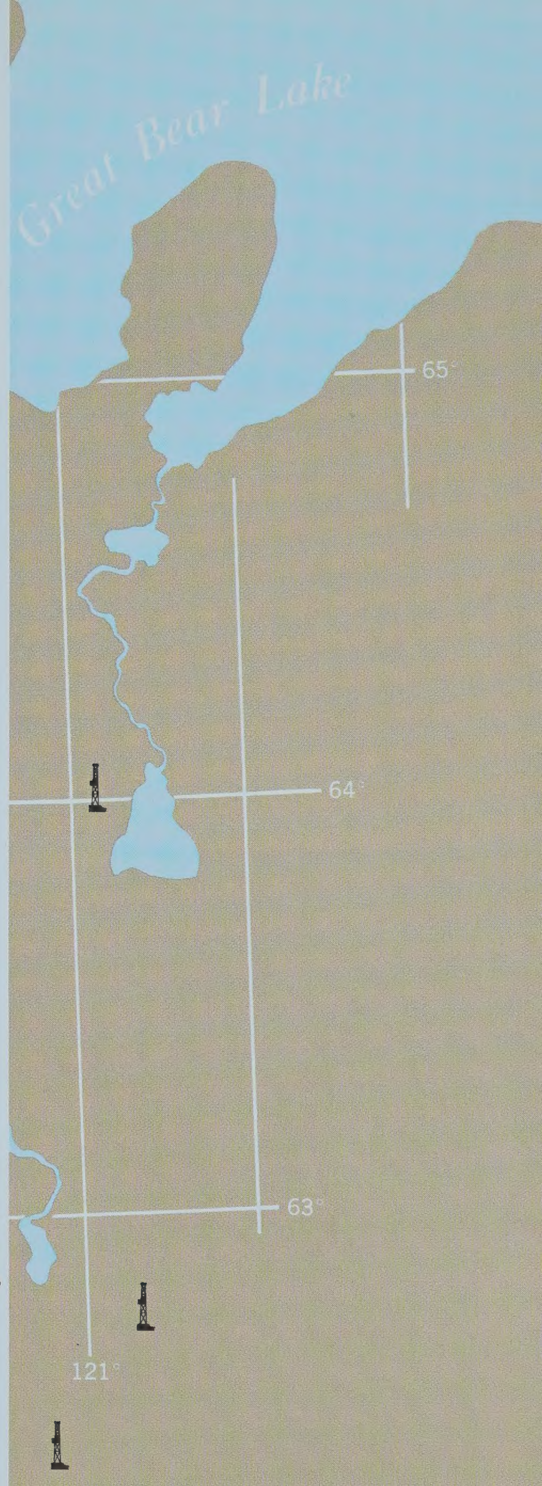
A. H. Ross, Vice-President and General Manager

E. L. Morris, Vice-President, Production

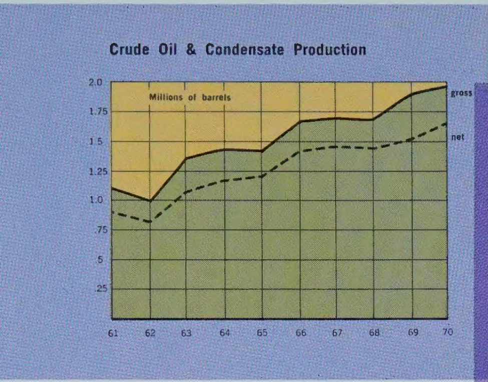
A. M. Patterson, Vice-President, Exploration

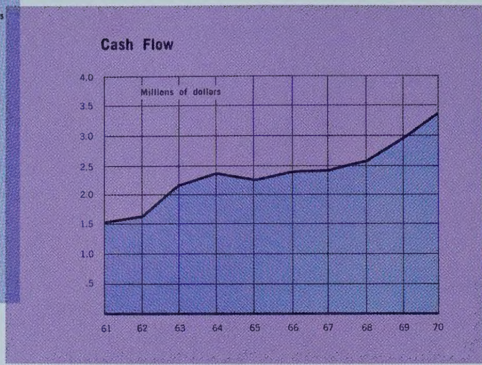
L. G. Elhatton, Secretary-Treasurer

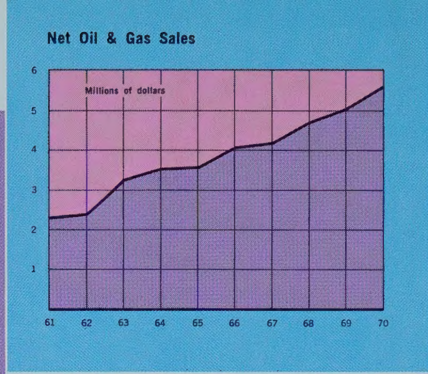


on lands in which your Company either owns an interest or will be earning an interest. Two of these wells could be drilled at no cost to your Company under existing farmout agreements.

The proposed oil and gas pipelines from Prudhoe Bay up the Mackenzie Valley, if realized, would improve the economics of production from an area considered remote until recently. This area will absorb a large part of your Company's exploration effort in the immediate future.

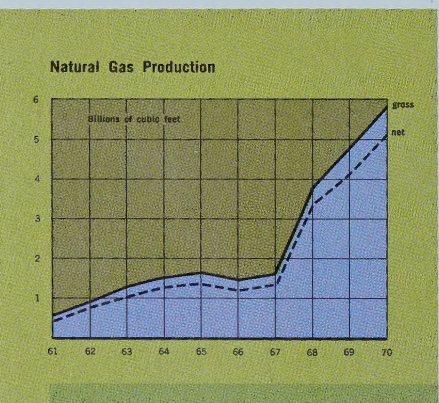


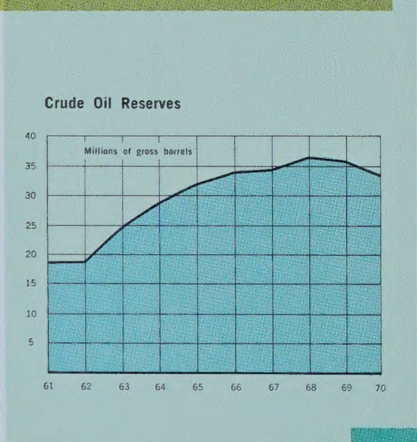


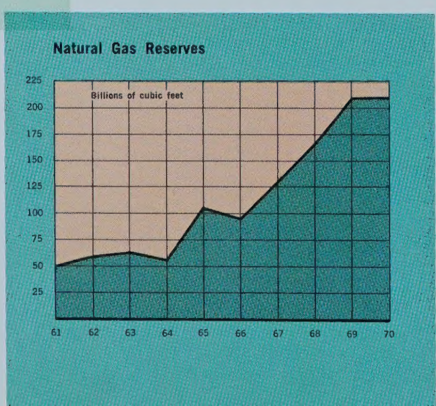


Summary of the Year 1970

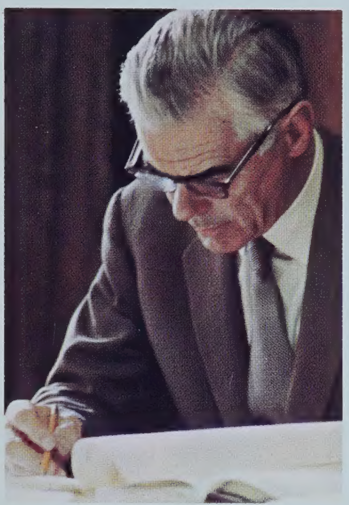
	1970	1969	Change
FINANCIAL			
Gross income	**$ 5,800,000**	$ 5,168,000	+ 12.2%
Cash flow	**3,384,000**	2,952,000	+ 14.6%
Per share	**.48**	.43	
Depreciation and depletion	**2,069,000**	1,850,000	+ 11.8%
Income before extraordinary item	**1,218,000**	916,000	+ 33.0%
Per share	**.17**	.14	
Extraordinary item – profit	**–**	107,000	
Per share	**–**	.01	
Working capital	**3,529,000**	1,274,000	+177.0%
Exploration and development expenditures	**2,477,000**	5,232,000	— 52.6%
OPERATING			
Oil and condensate production – net barrels	**1,679,000**	1,528,000	+ 9.9%
Daily average –net barrels	**4,600**	4,188	
Natural gas sales – net million cu. ft.	**5,105**	4,144	+ 23.2%
Daily average – net thousand cu. ft.	**13,986**	11,354	
Proven and probable additional reserves			
Oil and condensate – gross barrels	**33,654,000**	35,694,000	— 5.7%
Natural gas – gross mcf	**208,000,000**	210,000,000	— 1.0%
Sulphur – long tons	**645,000**	665,000	— 3.0%
Land holdings			
Gross acres	**27,804,000**	30,051,000	— 7.5%
Net acres	**11,302,000**	12,130,000	— 6.8%







To the Shareholders



C. S. Lee, President

THREE SIGNIFICANT EVENTS

In reviewing the affairs of the Company during the past year, three events stand out as being of prime significance to your Company both in the short and the long terms:

First, the surging demand in the United States for all forms of energy and, in particular, for Canadian crude oil and natural gas.

Second, the increase in the price paid to the producer for Western Canadian crude oil.

Third, the disruption in the pattern of supplies of crude oil from overseas to the North American continent.

The first event had an immediate beneficial effect on the Company's 1970 operations; crude oil and natural gas production volumes reached new levels, resulting in higher revenues and cash flow.

The second event took place on December 15, 1970, when the posted price for crude oil in Western Canada was raised by approximately 25¢ per barrel. This was the first material price adjustment over the past eight years. During this period, both the Company and the industry generally were experiencing difficulty in generating, internally, sufficient funds to carry out the task of finding and developing new reserves.

The third event was the recent disruptions in the supply of crude oil from the Middle East. The demands for higher prices and taxes by producing countries in that area have made the consumers in both the United States and Eastern Canada, at least temporarily, aware of the dangers of dependence on foreign supplies. It would appear that continual price negotiations will become a way of life and undue reliance on foreign crude can only weaken North America's bargaining position. Many industry analysts are now predicting a further price adjustment for domestic crude oil as Venezuela makes its move to obtain higher prices.

THE PRICE OF SECURITY

Experts indicate that Canada has sizeable undiscovered reserves of oil and gas. However, the fact remains that the cost of finding these new reserves, their development and the major pipeline transportation systems together with required environmental protection, will become increasingly higher as the search spreads out from the southern Plains. If the industry is to discover and develop secure energy supplies for and on this continent, higher prices for oil and gas will be inevitable.

DECALTA REPRESENTED IN MAJOR EXPLORATION AREAS

In Canada, the main hunting areas for potentially large oil and gas fields are now in the Northwest Territories, Beaufort Sea, the Arctic Islands and the Eastern Continental Shelf. Other areas of current exploratory interest include the Moose River Basin at the southern end of Hudson Bay and the natural gas exploration areas of the Alberta Foothills and northeast British Columbia.

As will be noted on the maps in the Exploration section of this Report, your Company has widespread land holdings in these areas of exploratory activity.

At the year end, Decalta held varying interests in 27,804,000 gross acres, or the equivalent of a 100% interest in 11,302,000 acres. Major acreage holdings include interests in:

4,309,000 gross (2,580,000 net) acres in the Northwest Territories of which approximately 50% lie along the Mackenzie Valley, the proposed route of a possible oil line and a more probable gas transmission line from Prudhoe Bay in Alaska (Map 1).

5,221,000 gross (1,284,000 net) acres in the Arctic Islands (Map 2).

10,072,000 gross (781,000 net) acres in the Hudson Bay area (Map 3).

7,272,000 gross (6,380,000 net) acres in Eastern Canada on and offshore (Map 4).

The area of Canada north of 60° Latitude, which has been predicted to contain nearly half of Canada's petroleum potential, is still a new frontier in terms of petroleum exploration. With potentially oil-bearing sedimentary rocks covering 702,000 square miles (1,200,000 cubic miles of sedimentary rock), the Canadian Petroleum Association has estimated ultimate potential reserves to be 57 billion barrels of oil and 345 trillion cubic feet of gas. To date, the drilling density in the Arctic Coastal Plain and the Arctic Islands is still only one well per 30,000 cubic miles compared with the Canadian average of one well per 2,000 cubic miles and the U.S. average of one well per 7 cubic miles.

Industry forecasts of expenditures in the next five years amount to some $600 million which would include the drilling of 600 wells.

EXPLORATION IN THE NORTH

While details of Decalta's exploration activities in these various areas of interest are covered later in this report, it should be noted that several years will elapse before our properties are completely evaluated. Historically, the discovery of hydrocarbons in new basins takes time and the drilling of many wells before the geological or geophysical solution is discovered.

No better example of this could be found than the current activities in the southern part of the Northwest Territories. Many seismic anomalies, similar in character to the famous Rainbow Lake fields, were defined. Several of these were tested, including three on Western Decalta's properties at Cormack Lake and Trout River. None was successful. This year, some twenty wells will be drilled in this area by the industry, with the same objectives, but with somewhat differing interpretation of seismic. The area is huge and even this amount of drilling will only touch upon solving the geological and geophysical problems involved.

Meanwhile, the Company's program of reaching out into new geological basins has moved northward towards the central part of the Northwest Territories in the Fort Norman-Wrigley area, where a $1.6 million seismic program was satisfactorily completed on our lands in 1969. The first three tests, resulting from this seismic work south of Fort Norman, are being drilled during this winter season; one well had an interesting oil show. Further wells on structures in the same general area are planned for the winter of 1971-72.

The seismic work and two of the three wells referred to above will be drilled at no cost to the Company.

During 1970, the Company expanded its land position in the Norman Wells, Fort Norman, Wrigley area and now owns interests ranging between 12½% and 100% in 1,778,000 acres of permit land. This winter's seismic program in the Northwest Territories is concentrated on some of the properties under option to Decalta in the Wrigley area just to the south of the Fort Norman program referred to in the preceding paragraph.

In the Arctic Islands, seismic work was done at Polynia Islands, and an airborne magnetometer survey was done at Prince of Wales Island, both at no cost to the Company and without loss of interest to the Company. In the East Beaufort Sea, your Company conducted seismic work on its holdings, the results of which are being interpreted. In the West Beaufort Sea properties, the Company owns 100% of 171,000 acres; drilling which is being done by other companies on land to the south will add to our geological knowledge of the area.

In the North Slope of Alaska, there was very little activity pending a decision regarding the construction of an oil pipeline from Prudhoe Bay. The Company's land position is unchanged.

During 1970, the Company continued the practice of contributing a portion of its acreage in any given area to accelerate the evaluation of the property. In exchange for varying interests in certain of our land holdings, other companies spent approximately $2,700,000 on geophysical surveys and exploratory drilling on or adjacent to such properties. Decalta's expenditures for exploration and development in 1970 amounted to $2,477,000 of which $1,401,000 or 57% was appropriated for exploration purposes.

OVERSEAS PROSPECTS

The Company has now embarked upon exploration programs overseas; in association with other companies geophysical and geological programs will be conducted this year. One application for exploratory permits has been made in the Mediterranean and other promising opportunities are being evaluated. The Company has adopted this new policy to take advantage of attractive situations which should give the Company wider exposure to potentially large reserves.

OFFER TO WESTERN & TEXAS

Western Decalta has made an offer to acquire at least 51% of the stock of Western & Texas Oil Co. Limited at a price of 51.5¢ per share. The offer will remain open until April, 1971. The principal asset of Western & Texas is a 29% interest in the Wainwright No. 2 Unit oil field in Alberta. Western Decalta's cost will be between $1,175,000 and $2,303,000 depending upon the number of shares to be acquired under this offer.

U.S. LISTINGS

The Company filed a Registration Statement with the Securities and Exchange Commission, Washington, D.C. which became effective May 18, 1970. Trading

of the Company's common shares commenced on the Pacific Coast Exchange on October 19, 1970. Application has been made for the original listing of the Company's common shares on the American Stock Exchange and it is anticipated that trading in such shares on that exchange will commence on March 31, 1971.

DECALTA'S OPERATIONS IN 1970

Financial – Gross income in 1970 rose 12.2% to $5,800,000; net oil sales were up 11.6% to $4,342,000 while gas sales increased by 12.6% to $1,195,000. Cash flow from operations amounted to $3,384,000 (48¢ per share), a 14.6% increase over last year's $2,952,000 (43¢ per share). Income before extraordinary items totalled $1,218,000 (17¢ per share) in 1970 vs. $916,000 (14¢ per share) in 1969.

Production – Oil production reached a new high of 1,679,000 net barrels, 9.9% over 1969 while gas sales recorded a 23.2% increase to 5.1 billion cubic feet.

Reserves – At January 1, 1971, crude oil reserves, including condensate, totalled 33,654,00 gross barrels compared with 35,694,000 barrels last year; gross reserves of natural gas amounted to 208 billion cubic feet vs 210 billion cubic feet. Sulphur reserves amounted to 645,000 long tons compared with 665,000 long tons last year.

IN THE IMMEDIATE FUTURE

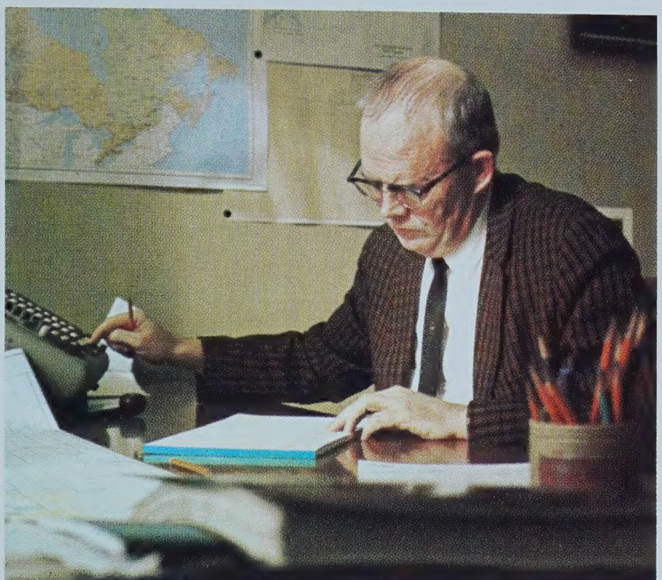
The prospects of markets for natural gas and oil, the improved crude oil price structure and the generally favorable geological prospects are all encouraging; however substantial amounts of capital will be required for exploration and development. In order to attract risk capital from Canadians, proper tax incentives must be designed but Canada alone cannot supply all the necessary funds. Therefore it is imperative that adverse restrictions should not be placed upon foreign investment.

The Company now has 5,756 shareholders of record, an increase of 1,262 (28%) during 1970. The Board of Directors is most pleased with this evidence of widening interest in the Company. On their behalf, I would also like to take this opportunity of thanking the Company's staff who have worked so hard to bring the Company to its present position.

President

Calgary, Alberta
March 11, 1971.

Review of Operations



E. L. Morris, Vice-President, Production

Production

Record volumes of both oil and gas produced in 1970.

CRUDE OIL AND CONDENSATE

Net crude oil and condensate production by Decalta and its subsidiaries reached a new high of 1,679,000 barrels in 1970, a gain of 151,000 barrels (9.9%) over 1969. Daily net production averaged 4,600 barrels (4,188 in 1969).

Decalta's production by major areas are shown in the tabulations to the right. The largest gains were achieved from properties located in Alberta and Montana. In Alberta, higher allowables resulting primarily from increasing U.S. demand raised the production rate from such fields as Mitsue, Pembina (Cardium), Simonette and Sturgeon Lake South. In Montana, successful secondary recovery projects accounted for the improvement. These increases were partially offset by decreases in other fields owing to natural decline.

SECONDARY RECOVERY

Faced with the increasing demand for crude oil, the Company has continued to appropriate funds to its existing oil producing properties. The application of such funds to effect unitization and pressure maintenance projects is designed to reduce operating

CRUDE OIL AND CONDENSATE PRODUCTION

(Barrels – net after deducting royalties)

	1970	1969
Alberta		
Joarcam	32,000	31,000
Mitsue	199,000	177,000
Pembina (Cardium)	395,000	345,000
(Belly River)	68,000	64,000
Red Coulee	63,000	40,000
Rimbey	31,000	31,000
Simonette	96,000	85,000
Sturgeon Lake South	167,000	135,000
Turner Valley	67,000	63,000
West Drumheller	126,000	126,000
Other fields	154,000	159,000
	1,398,000	1,256,000
British Columbia		
Weasel	31,000	31,000
Other fields	19,000	18,000
	50,000	49,000
Saskatchewan		
Gull Lake	41,000	55,000
Instow	32,000	31,000
Other fields	37,000	34,000
	110,000	120,000
New Brunswick	7,000	12,000
Total – Canada	1,565,000	1,437,000
Montana	91,000	64,000
Texas	19,000	23,000
Other States	4,000	4,000
Total – U.S.A.	114,000	91,000
Total	1,679,000	1,528,000

Province/State	1970	Change from 1969 (in thousands of net barrels)
Canada:		
Alberta	1,398	+142
British Columbia	50	+ 1
Saskatchewan	110	— 10
New Brunswick	7	— 5
	1,565	+128
U.S.A.:		
Montana	91	+ 27
Texas	19	— 4
Other	4	–
	1,679	+151

NATURAL GAS PRODUCTION (Mcf – net after deducting royalties)	1970	1969
Alberta		
Athabasca	95,000	96,000
Bittern Lake	105,000	140,000
Ghost Pine	1,205,000	908,000
Gilby	322,000	279,000
Gordondale	66,000	–
Mitsue	51,000	–
Rimbey	838,000	755,000
Simonette	209,000	99,000
Sturgeon Lake South	115,000	–
Turner Valley	90,000	74,000
Other Fields	135,000	30,000
	3,231,000	2,381,000
Ontario	1,561,000	1,601,000
Other Provinces	254,000	162,000
Total – Canada	5,046,000	4,144,000
Texas, U.S.A.	59,000	–
	5,105,000	4,144,000

Proven and Probable Additional	January 1 1971	1970
Crude Oil Reserves (gross bbls)	33,654,000	35,694,000
Residue Natural Gas (gross mcf)	208,000,000	210,000,000
Sulphur (gross long tons)	645,000	665,000

costs and to increase both production rates and recoverable reserves. At year-end, Decalta was participating in 40 pressure maintenance projects with production from such projects representing about 67% of its 1970 net oil production.

The average price received during 1970 for crude oil was $2.59 per barrel ($2.55 in 1969). On December 15, 1970 an increase of approximately 25¢ per barrel in the posted field prices for crude oil was announced – this will have a significant effect on the Company's cash flow and net income in 1971.

NATURAL GAS

Net deliveries of natural gas from Decalta's properties in 1970 totalled 5.1 billion cubic feet or an average daily output of close to 14 million cubic feet. These volumes represent a 23.2% increase over 1969 and resulted in part from higher demands for natural gas in such Alberta fields as Ghost Pine, Gilby, Rimbey and Simonette.

During 1970, the Company participated in the construction of gas conservation plants associated with our oil producing properties at Mitsue and Sturgeon Lake South. Gas volumes from these operations and newly tied-in wells at Gordondale, Alberta and Matagorda Bay in Texas also contributed to the increased production of natural gas. Small interests in certain gas fields were sold during the year.

The average price received for natural gas and liquid products in 1970 was 23.4¢ per thousand cubic feet compared with 25.6¢ last year. The larger volumes of lower priced Alberta gas, which have a wellhead value of about 50% of the Ontario prices, accounted primarily for this change.

Reserves

At January 1, 1971, reserves of crude oil and condensate totalled 33,654,000 gross barrels, a decrease of 2,040,000 gross barrels. New reserves discovered during the year did not offset both the production of 1,983,000 gross barrels and some downward reserve adjustments in certain fields.

Natural gas reserves declined slightly from 210 billion cubic feet to 208 billion cubic feet after providing for the 1970 production of 5.9 billion cubic feet and the sale of certain small properties in Alberta and Ontario.

Sulphur reserves amounted to 645,000 long tons compared with 665,000 last year.

A summary of Decalta's reserves as compiled by an independent consultant is shown in the tabulation.

Drilling Activity

The table to the right shows the number of gross and net development and exploratory wells in which the Company participated in 1970 and 1969. In 1970, Decalta participated in a total of 50 gross wells (45 in 1969) with an average well participation of 23.2% vs. 28.2% in the previous year.

Of the 39 gross exploratory wells, 13 were drilled by other companies on or adjacent to Decalta's lands in exchange for varying interests in the Company's lands. The costs of drilling the 13 wells borne by other companies is estimated at $850,000.

The results of the 1970 drilling program are shown in the table at bottom right.

WELLS DRILLED

	Gross Wells		Net Wells	
	1970	1969	1970	1969
Development:				
Oil	9	8	2.8	1.6
Gas	1	2	0.1	.4
Dry	1	3	0.4	.8
	11	13	3.3	2.8
Exploration:				
Oil	3	1	0.6	.1
Gas	10	15	1.9	3.3
Dry	26	16	5.8	6.5
	39	32	8.3	9.9
Total wells	50	45	11.6	12.7
Average Well Participation			23.2%	28.2%
Success Ratios:				
Development			87.9%	71.4%
Exploration			30.1%	34.3%

DRILLING RESULTS

	Type of Well	Producing Wells Gross	Net
Canada			
Alberta:			
Ghost Pine	Gas	1	0.3
Hussar	Gas	3	0.5
Judy Creek	Oil	1	0.2
Pembina	Oil	7	2.1
Red Earth	Oil	1	0.1
Simonette	Gas	1	0.1
Ontario:			
Lake Erie	Gas	4	0.8
Saskatchewan:			
North Premier	Oil	3	1.0
United States			
Texas:			
Matagorda Bay	Gas	2	0.3
		23	5.4

Exploration

In exploration, the Company is essentially involved in three phases of operation; first, the acquisition of properties, second, the geological and geophysical evaluation of the properties either by the Company or, more frequently, by "farmees" (i.e. companies who have agreed to do work for an interest in Western Decalta's land) and, third, the drilling of these properties by the Company or farmees. All three phases run concurrently in different areas, but it is opportune to review the progress through these phases of operation of each area reported on last year.

Candel DECKMG et al. Mackay B-45. . . . The recovery of 20.4° API oil on a drillstem test at this well, will accelerate exploration activity in the Mackenzie River Valley.

NORTHWEST TERRITORIES — Map 1

Cormack Lake – Trout River – Mills Lake Area

None of the wells drilled in this area, either on the Company's properties or in the neighborhood, proved to be successful. Of the 32 wells drilled, seven found the prime objective, a Middle Devonian reef, five had no porosity, two showed minor porosity; one had salt water and one some slight evidence of gas.

Some twenty to twenty-five wells will be drilled in the area in the 1970/71 drilling season. Three of these wells will be on seismic anomalies located on land in which Western Decalta has 25% to 83.3% interest; two on the Cormack Lake acreage and one on the Trout River acreage.

The Cormack Lake-Trout River area is, therefore, considered to be in the drilling phase of operations.

MACKENZIE RIVER VALLEY

Keele River-Fort Norman-Norman Wells Area

The seismic work referred to in the 1969 Report was completed at a cost to the farmee of about $1,600,000, and outlined several promising structures.

Three wells, one of which was drilling at the year end at Keele River, will be drilled to evaluate some of these structures in the winter of 1970/71. Western Decalta will bear 25% of the cost of the Keele River well but the other two wells will be drilled at no cost to the Company. The Company owns varying interests between 12½% and 100% in 823,000 acres in this area and has options to earn 12½% or 16⅔% interests in a further 223,000 acres. Further drilling is expected in the 1971/72 drilling season.

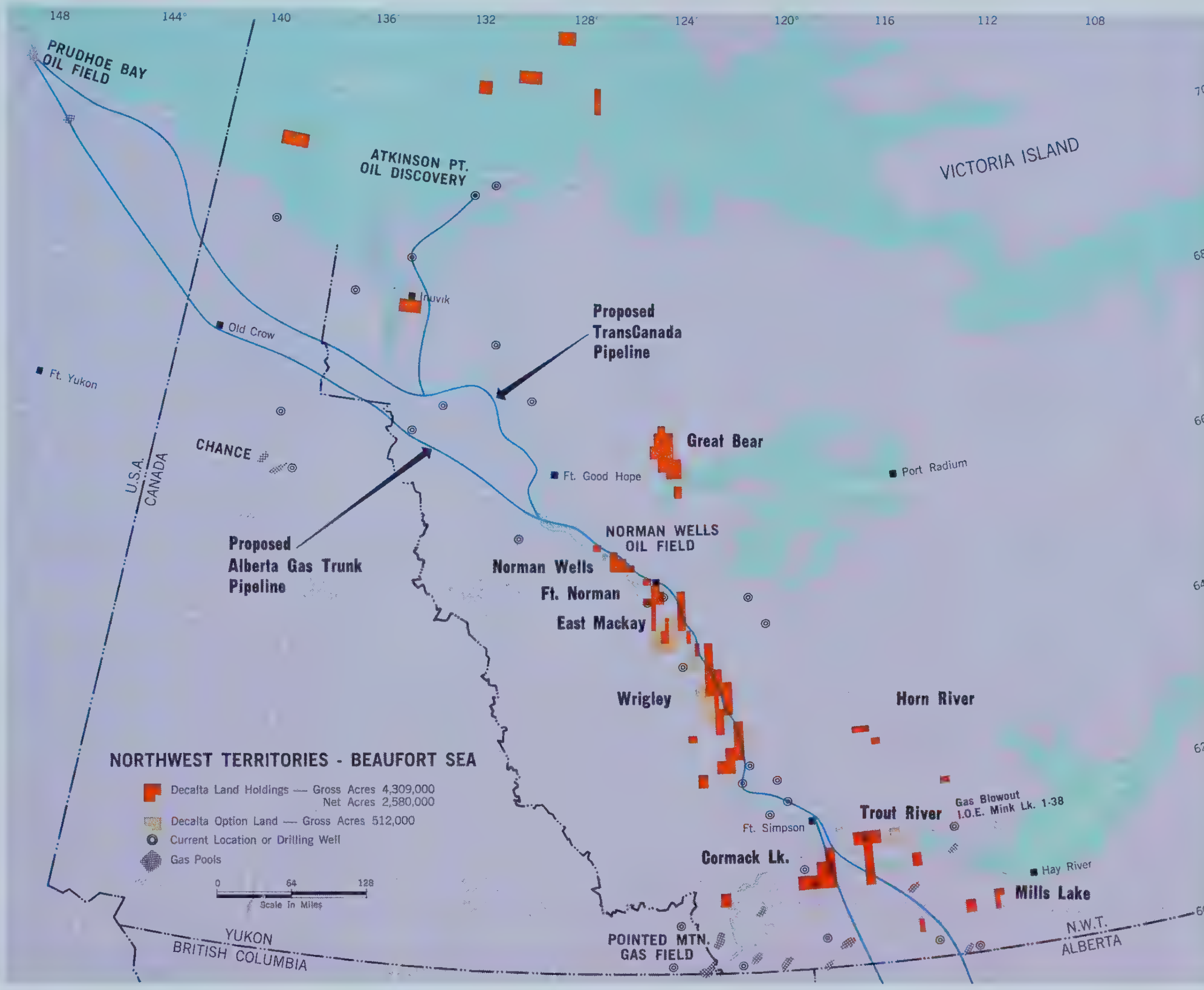
Following up the evidence of last year's seismic, the Company and its associates have undertaken to do 50 miles of seismic work on an adjoining 55,918 acres in the area of 64°10′, 125°00′ with the right to drill on the property to acquire a 50% interest.

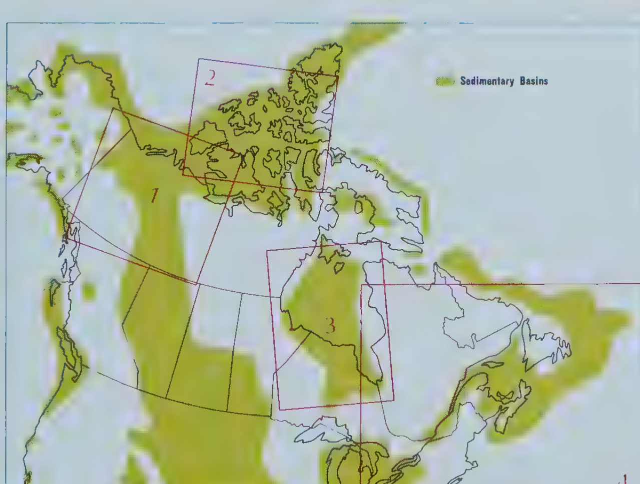
This area is, therefore, in all three phases of exploration — land acquisition, seismic surveys and drilling.

Wrigley Area

Decalta owns interests from 12½% to 100% in 955,000 acres in this area. In addition, the Company and its associates have undertaken the obligation to conduct 120 miles of seismic survey work on 228,000 acres. This work will give the Company and its associates, at their option, the right to earn 50% in these properties by drilling

Map 1





wells; each well on a consecutive basis, will earn 50% in about 57,000 acres.

This area is in the phases of land acquisition and seismic survey.

Beaufort Sea

A marine seismic survey was conducted on 83,526 acres in which the Company has an interest in the Bathurst Inlet area; the seismic is currently being evaluated.

Horn River

The geophysical work conducted this year did not show any drillable prospects and most of the land will be relinquished in 1971.

Great Bear Lake

No work was done this year, but interest in this basin has been stimulated by the discovery of relatively thick sediments, including Basal Cretaceous sands in wells in this basin. At outcrop, the Basal Cretaceous sands are frequently oil-bearing.

ARCTIC ISLANDS — Map 2

Following the discovery of gas at Panarctic's Drake Point well, Panarctic made a second gas discovery at King Christian Island; this well blew out at about 2,000′ and caught fire. The blow-out was successfully controlled by the drilling of a relief well which will be utilized for further evaluation of the gas-bearing zone. It is expected that six rigs will be drilling in the Arctic Islands during the winter of 1970/71.

Seismic work was done on the Company's wholly-owned 82,360 acres in the Polynia Islands at no cost to the Company. An airborne magnetometer survey was done, also at no cost to the Company, on a 4,346,000 acre spread on the Prince of Wales Island. Decalta has a 23.5% interest in this property.

HUDSON BAY — Map 3

The renewed hunt for Silurian reefs in southwest Ontario and Michigan has focused attention on the comparatively untested Moose River basin which lies on the western side of James Bay in the Hudson Bay Lowlands. Prospects in this basin are compared in setting and in the lithology of the reservoir and source rocks to the Ontario-Michigan play. The relative proximity to the high demand markets of eastern Canada would be of significance if exploratory work proved successful.

A test well, Acquit-Sog. et al Sandbank #1 is to be drilled in the anticipated depositional centre of the basin. The well is expected to provide the first complete section of the basin and will give comparative data needed to assess future seismic, gravity and magnetic surveys.

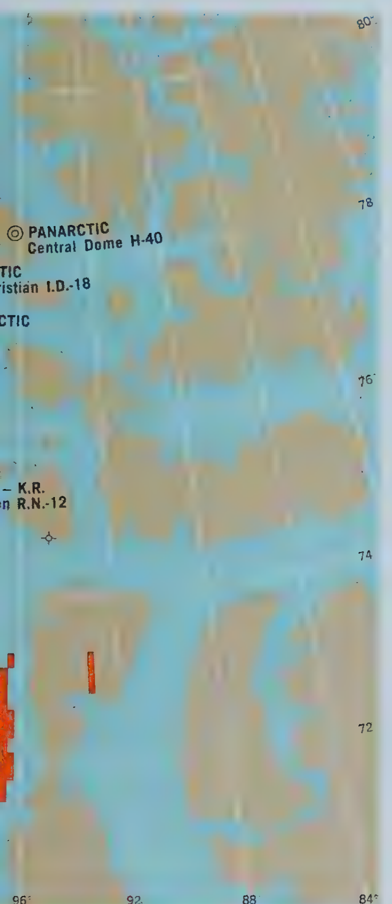
Western Decalta has a 5% interest in this well and in the 3.2 million acre spread surrounding the well. The Company also owns a 5% interest in approximately 6 million acres along the southern shore of Hudson Bay at the Manitoba-Ontario border.

ATLANTIC OFFSHORE — Map 4

Press reports indicate increasing activity in the Atlantic offshore area. In addition to Shell's 13 well program recently conducted, further programs by Amoco-Imperial, Tenneco and Mobil have been announced. This anticipated drilling will provide the background for the interpretation of the seismic program which Decalta expects to conduct on its 1,170,000 acre properties.

Map 2

Map 3



PANARCTIC
Central Dome H-40
TIC
istian I.D.-18
CTIC
K.R.
R.N.-12

NEWFOUNDLAND
QUEBEC
ONT.
U. S. A.
N. B.
P.E.I.
N. S.
ST. JOHN'S
CHARLOTTETOWN
HALIFAX
FREDERICTON
QUEBEC
MONTREAL
OTTAWA
TORONTO
BOSTON
NEW YORK
Shell Fox 1-22
Shell Abenaki 0-56
Sable Island
EASTERN CANADA
Decalta Land Holdings — Gross Acres 7,272,000
Net Acres 6,380,000
Current Drilling Well
Scale in Miles

Map 4

ALBERTA

The Search for Natural Gas

The Company has been acquiring and endeavouring to develop gas reserves in the Alberta basin, the Foothills Belt and the Plains.

Obed

The well drilled in the early part of the year, to evaluate 20,000 acres acquired at a Crown sale, was a dry hole. Since that time, activities have been suspended pending a re-evaluation of seismic data, a re-negotiation of gas prices and stabilization of sulphur prices. The Company's reserves of gas and sulphur in this area remain unaltered at 60.0 Bcf of gas and 580,000 long tons of sulphur.

Callum Creek and Foothills Structures

A deep test in a Foothills structure at Callum Creek was negative; the Company has an interest in 21,440 acres of land. The Company is actively working on other prospects of a similar nature and acreage has been acquired in the Foothills of Montana and Alberta.

Hussar West

A series of 13 wells were drilled in an area east and northeast of Calgary. One of these, Mana Decalta et al Rockyford 10-24-26-23-W4M is producing at the rate of between 3 and 6 million cu. ft. per day. Two other wells, Mana Decalta Blackfoot 11-18-21-20-W4M and Mana Decalta Standard 11-36-24-23-W4M were completed as commercial discoveries but neither was large enough by itself at the present time to justify a pipeline to market the gas. Western Decalta's interest in these wells is 16⅔%.

Ghost Pine

In another area, about 80 miles northeast of Calgary, a Glauconitic gas discovery was made and was connected to market early in 1971. Western Decalta's interest in this well is 33.3%.

ACREAGE HOLDINGS

At year end the Company held 27,804,000 gross (11,302,000 net) acres.

During the year the Company acquired 260,300 net acres of undeveloped lands. Acquisitions included varying interests in properties located in the Beaufort Sea (11.6% in 248,000 acres), in the Makwa Lake area of Saskatchewan (33.3% in 71,000 acres) in the Whitefish and Trochu areas of Alberta (33% in 46,000 acres). A number of smaller holdings were also acquired at various locations in the Western Provinces and in the Northwest Territories.

During 1970, the Company surrendered its interest in 1,377,480 acres of land located in the Arctic Ocean west of Banks Island.

SUMMARY OF ACREAGE HOLDINGS

Area	Petroleum and Natural Gas Leases		Reservations, Licenses Permits (*)		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta	539,800	150,600	60,500	15,700	600,300	166,300
Alaska	109,100	19,500			109,100	19,500
British Columbia	43,500	13,400			43,500	13,400
Hudson Bay			10,071,900	781,100	10,071,900	781,100
Maritimes (offshore)			1,630,200	738,500	1,630,200	738,500
New Brunswick	5,453,000	5,453,000			5,453,000	5,453,000
Northern Canada:						
Northwest Territories	87,500	43,800	3,593,400	2,172,800	3,680,900	2,216,600
Beaufort Sea			628,000	363,600	628,000	363,600
Arctic Islands			5,221,300	1,284,100	5,221,300	1,284,100
Ontario	188,700	188,700			188,700	188,700
Saskatchewan	16,800	11,900	139,200	57,800	156,000	69,700
United States	16,000	5,300	4,800	2,400	20,800	7,700
	6,454,400	5,886,200	21,349,300	5,416,000	27,803,700	11,302,200

*Convertible into leases to the extent of approximately 50%.

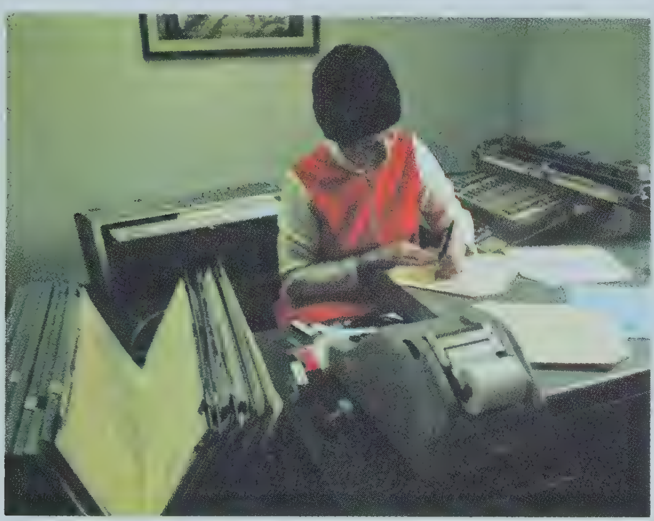
Employees

Decalta's continuing growth has been the result of the efforts of a relatively small but dedicated staff.

To assist the Company's personnel to stay on top of the industry's rapidly changing technology, the Company encourages attendance at special seminars, short term university courses and evening classes by contributing time and financial aid.

At the end of 1970, Decalta's staff numbered 82 including technical, clerical and field personnel. Employees received a total of $776,000 in salaries, wages and vacation pay during 1970. In addition, the Company contributed $12,700 to the employees' savings plan, $45,700 to retirement plans and $11,500 to group life insurance and health plans.

In the same period, employees contributed $25,300 to the savings plan, $28,000 to retirement plans and $11,500 to life insurance and health plans.



NET OIL AND GAS SALES – 1970

	Net Oil & Condensate Production	%	Average price p/bbl.	Oil & Condensate Sales	Natural Gas Sales	Royalty Income	Net Oil & Gas Sales
	(thousands of barrels)			(thousands of dollars)			
Alberta –							
Ghost Pine	8	0.5	2.87	$ 23	$ 188	$ –	$ 211
Mitsue	199	11.9	2.78	554	10	–	564
Pembina (Cardium)	396	23.6	2.60	1,031	36	–	1,067
Pembina (Belly River)	68	4.1	2.59	176	–	–	176
Rimbey	31	1.8	2.87	89	158	–	247
Simonette	96	5.7	2.69	258	34	–	292
Sturgeon Lake	167	9.9	2.57	430	16	–	446
Turner Valley	67	4.0	2.61	175	22	6	203
West Drumheller	126	7.5	2.61	329	–	1	330
Other	241	14.4	2.36	569	89	54	712
	1,399	83.4	2.60	3,634	553	61	4,248
British Columbia	50	3.0	2.42	121	–	–	121
New Brunswick	7	0.4	3.57	25	63	–	88
Ontario	–	–	–	–	551	–	551
Saskatchewan	110	6.5	2.08	229	18	2	249
Canada	1,566	93.3	2.56	4,009	1,185	63	5,257
U.S.A.	113	6.7	2.95	333	10	4	347
Total 1970	1,679	100.0	2.59	4,342	1,195	67	5,604
Total 1969	1,528	100.0	2.55	3,891	1,061	80	5,032
Increase (Decrease)	151		0.04	$ 451	$ 134	$(13)	$ 572

INCREASED PRICES FOR CRUDE OIL

On December 15, 1970, the posted field price of crude oil was raised by approximately 25¢ per barrel in Western Canada. As the industry has been squeezed by rising costs of operations without commensurate increases in product prices for the past 8 years, the price adjustment has been welcomed. Based upon the 1970 level of oil production, cash flow in 1971 could increase in excess of $400,000 from this price adjustment.

ANALYSIS OF GROSS INCOME

	1970	Change from 1969 Amount	%
Net Oil Sales	$4,342,000	+451,000	+11.6
Net Gas Sales	1,195,000	+134,000	+12.6
Royalty Revenue	67,000	— 13,000	—16.3
Net Oil and Gas Sales ..	5,604,000	+572,000	+11.4
Interest and Other Income	196,000	+ 60,000	+44.1
Gross Income	$5,800,000	+632,000	+12.2

EXPENDITURES FOR FINDING AND DEVELOPING PRODUCTION

(in thousands of dollars)

	1970	1969	1968	1967	1966
Land and Rentals	$ 546	2,548	2,830	1,270	1,470
Geological and Geophysical.	457	628	640	548	459
Non-productive Drilling ...	534	444	403	301	355
Productive Drilling ...	261	742	567	492	1,678
Production Equipment..	679	870	501	403	387
	$2,477	5,232	4,941	3,014	4,349

Financial

Decalta's revenues reached new levels in 1970.

NET INCOME

The Company's 1970 consolidated income before extraordinary items totalled $1,218,000, an increase of $302,000 or 33.0% over 1969. Earnings per share in 1970 (based on the weighted average number of common shares outstanding) amounted to 17¢ compared with 14¢ per share in 1969.

GROSS INCOME

Higher volumes of oil and gas sales in 1970 contributed chiefly to the 12.2% increase in gross revenues at $5,800,000. Net oil sales amounted to $4,342,000 up 11.6%; gas sales were up 12.6% to $1,195,000.

EXPENSES

Total cash expenses increased by $200,000 (9.0%) over 1969 to $2,416,000. Production expenses were up by $106,000; of this amount $29,000 was attributable to increased volumes of oil produced (on a per barrel basis the costs were 7% lower than in 1969). Gas plant operating costs increased by $77,000 reflecting higher than normal start-up costs of three plants that came on-stream in 1970. Net general and administrative costs were up by $49,000 to $212,000; this net increase resulted from a reduction of $29,000 in management fees earned and the general rise in salaries and other costs of administration amounting to $20,000. Interest charges amounted to $934,000 up $49,000 (5.5%) over 1969. Depreciation and depletion write-offs in 1970 totalled $2,069,000 vs. $1,850,000 last year.

CASH FLOW

Cash flow from operations rose by $432,000 (14.6%) from $2,952,000 (43¢ per share) in 1969 to $3,384,000 (48¢ per share) in 1970. Other sources of funds are set out in a source and application of funds statement on page 18; chief among these items was the sale of production payments referred to in Note 3 to the consolidated statements.

EXPENDITURES

Expenditures for exploration and development in 1970 totalled $2,477,000 ($5,232,000 in 1969); for details see the five year summary opposite. Exploration costs amounted to $1,401,000 or 56.6% of the total expenditures while development costs at $1,076,000 represented 43.4% of the total.

Consolidated Balance Sheet

December 31, 1970 and 1969

ASSETS

	1970	1969
CURRENT:		
Cash	$ 247,000	$ 977,000
Short term investments at cost which approximates market	3,915,000	1,002,000
Accounts receivable	2,527,000	2,260,000
Inventory of materials at cost	139,000	174,000
Prepaid expenses	45,000	78,000
	6,873,000	4,491,000
REFUNDABLE DEPOSITS	44,000	69,000
PROPERTY AND EQUIPMENT AT COST:		
Oil and gas properties less accumulated depletion of $17,933,000 (1969 - $17,321,000)	27,505,000	27,196,000
Plant and equipment less accumulated depreciation of $5,047,000 (1969 - $4,788,000)	2,840,000	2,685,000
	30,345,000	29,881,000
OTHER:		
Sundry investments at cost	48,000	49,000
Debenture issue expense less amounts amortized (Note 2)	326,000	349,000
	374,000	398,000
	$37,636,000	$34,839,000

LIABILITIES

	1970	1969
CURRENT:		
Bank loan - secured	$ 500,000	
Banker's acceptances		$ 900,000
Accounts payable and accrued charges	2,328,000	1,795,000
Accrued interest on long term debt	116,000	122,000
Current maturities of long term debt	400,000	400,000
	3,344,000	3,217,000
DEFERRED PRODUCTION INCOME (Note 3)	5,401,000	3,707,000
LONG TERM DEBT (Note 4)	10,399,000	11,500,000
MINORITY INTEREST IN SUBSIDIARY COMPANIES	2,317,000	2,138,000
SHAREHOLDERS' EQUITY (Note 5):		
Capital (Note 6):		
Authorized - 600,000 preferred shares of $25 par value each; 10,000,000 common shares of $1 par value each		
Issued - 7,112,925 common shares (1969 - 6,939,733 shares)	7,113,000	6,940,000
Contributed surplus (see statement page 19)	4,666,000	4,159,000
Earned Surplus (see statement page 19)	4,396,000	3,178,000
	16,175,000	14,277,000
	$37,636,000	$34,839,000

On behalf of the Board:

. Director. . Director.

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

	FOR THE YEARS ENDED DECEMBER 31 1970	1969
Net oil and gas sales	**$5,604,000**	$5,032,000
Interest and other income	**196,000**	136,000
	5,800,000	5,168,000
Deduct:		
Production expenses	**1,270,000**	1,164,000
General and administrative expenses net of management fees earned	**212,000**	167,000
Interest expense	**934,000**	885,000
	2,416,000	2,216,000
Cash flow from operations	**3,384,000**	2,952,000
Deduct:		
Depreciation and depletion	**2,069,000**	1,850,000
Amortization of debenture issue expenses (Note 2)	**23,000**	22,000
Discount on debentures purchased for cancellation	**(105,000)**	
	1,987,000	1,872,000
Income before minority interest and extraordinary item	**1,397,000**	1,080,000
Income applicable to minority interest	**179,000**	164,000
Income before extraordinary item	**1,218,000**	916,000
Extraordinary item –		
Profit on sale of sundry investment		107,000
Net income for the year (Note 7)	**$1,218,000**	$1,023,000
Net income per common share		
Income before extraordinary item	**$ .17**	$ .14
Extraordinary item		.01
Net income	**.17**	.15

Consolidated Statement of Source and Application of Funds

	FOR THE YEARS ENDED DECEMBER 31 1970	1969
Source of funds:		
Cash flow from operations	**$3,384,000**	$2,952,000
Sale of production payments	**4,005,000**	2,525,000
Sale of sundry investment		529,000
Sale of property	**221,000**	336,000
Issue of capital stock	**779,000**	171,000
Other	**26,000**	60,000
	8,415,000	6,573,000
Application of funds:		
Additions to property and equipment	**2,754,000**	5,620,000
Repayment and current maturities of bonds and debentures	**996,000**	400,000
Retirement of production payments	**2,311,000**	1,939,000
Registration expenses	**99,000**	
	6,160,000	7,959,000
Increase (decrease) in working capital	**$2,255,000**	$(1,386,000)

See accompanying notes to consolidated financial statements.

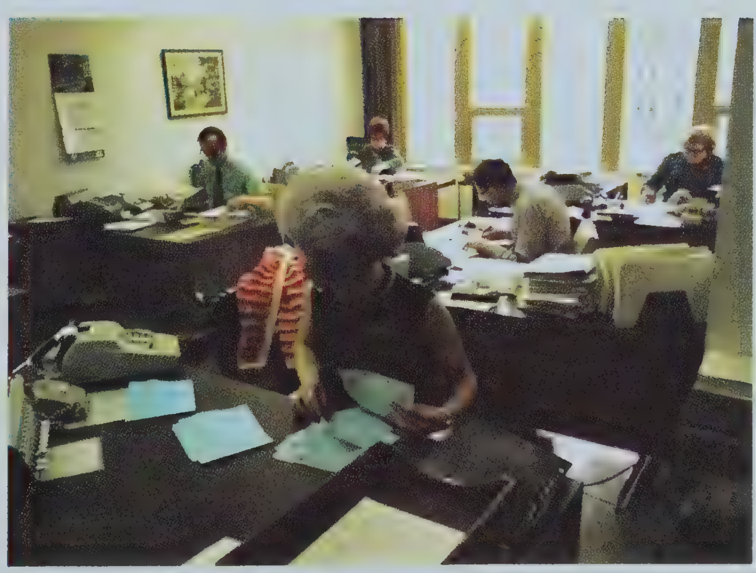
Consolidated Statement of Earned Surplus

	FOR THE YEARS ENDED DECEMBER 31	
	1970	1969
Earned surplus as previously reported		$1,784,000
Add unamortized debenture issue expenses (Note 2)		371,000
As restated	**$3,178,000**	2,155,000
Net income for the year (see statement page 18)	**1,218,000**	1,023,000
Earned surplus at end of year	**$4,396,000**	$3,178,000

Consolidated Statement of Contributed Surplus

	FOR THE YEARS ENDED DECEMBER 31	
	1970	1969
Balance at beginning of year	**$4,159,000**	$4,045,000
Premium on shares issued during year	**606,000**	114,000
Expenses of registration with Securities and Exchange Commission	**(99,000)**	
Balance at end of year	**$4,666,000**	$4,159,000

See accompanying notes to consolidated financial statements.



Notes To Consolidated Financial Statements

DECEMBER 31, 1970

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The excess or deficiency of the cost of shares of subsidiaries over the net book value of the related assets at dates of acquisition is included in oil and gas properties or credited to accumulated depletion of oil and gas properties as the case may be.

2. ACCOUNTING PRACTICE

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves of oil and gas. Depreciation of plant and equipment is provided at rates which are designed to amortize cost over the estimated useful life of these assets.

In a prior year the Company wrote off financing expenses attributable to the issue of the 6% Sinking Fund Debentures Series A. Effective January 1, 1970 the Company, at the request of the Securities and Exchange Commission, retroactively adopted the policy of deferring these expenses and writing them off on a straight line basis over the life of the Debentures. Accordingly, earned surplus at January 1, 1969 has been increased by $371,000 representing debenture issue expenses to be amortized in future years. Net income as previously reported for 1969 has been reduced by $22,000 representing amortization of debenture issue expenses applicable to that year.

3. DEFERRED PRODUCTION INCOME

During the year production payments, representing a portion of the companies' interest in future production from certain oil lands, were sold for $4,005,000 cash. Income resulting from such sales is deferred and is reflected in income as the oil is produced and sold. Repayments during the year on production payments sold in the current and prior years amounted to $2,311,000. It is expected that all production payments will be retired within three years.

4. LONG TERM DEBT

	1970	1969
6% Sinking Fund Debentures Series A due June 1, 1985	$ 5,799,000	$ 6,900,000
7% Convertible Sinking Fund Debentures Series B due September 30, 1985	5,000,000	5,000,000
	10,799,000	11,900,000
Deduct:		
Sinking fund instalments on Series A Debentures due within one year	400,000	400,000
Per balance sheet	$10,399,000	$11,500,000

The 6% Sinking Fund Debentures Series A and the 7% Convertible Sinking Fund Debentures Series B are secured by a first floating charge on the undertaking, property and assets of the Company. The Series A Debentures are subject to sinking fund payments of $400,000 in 1971 and thereafter until 1984. The Series B Debentures are subject to sinking fund payments of $275,000 in 1979 and thereafter until 1984 and may be redeemed after October 1, 1973. The Series B Debentures are convertible at any time prior to the close of business on October 1, 1978 on the basis of 200 common shares for each $1,000 principal amount of the Debentures.

5. DIVIDENDS

The trust deed securing the 6% Sinking Fund Debentures Series A and 7% Convertible Sinking Fund Debentures Series B contains provisions restricting the payment of cash dividends, the most restrictive of which limits such payments to consolidated net earnings (as defined) in excess of 3½ times interest on the Company's long term debt.

6. CAPITAL AND RESERVATION OF SHARES

During the year 25,000 common shares were issued on the exercise of options for $75,000 cash of which $25,000 was credited to share capital and the balance to contributed surplus and 148,192 shares were issued on the exercise of share purchase warrants for $704,000 ($3,000 cash and $701,000 par value of 6% Sinking Fund Debentures Series A) of which $148,000 was credited to share capital and the balance to contributed surplus.

At December 31, 1970 common shares were reserved as follows:

(i) 230,000 shares under an Employees' Stock Option Plan. Options to purchase 176,500 shares are outstanding including 95,500 to officers of whom two are Directors. Options are granted at prices not less than 95% of market value at date of grant and are exercisable from time to time for 6 years. Details of options outstanding are as follows:

95,500 shares at $3.00 per share exercisable to 1973
66,000 shares at $7.25 per share exercisable to 1975
15,000 shares at $6.40 per share exercisable to 1976

(ii) 1,000,000 shares for the conversion of the 7% Convertible Sinking Fund Debentures Series B (see Note 4).

7. **INCOME TAXES**

For income tax purposes, the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges against earnings. As a result, no income taxes are payable in respect of the net income reported for the year ended December 31, 1970 and at that date accumulated expenditures of $7,750,000 remain to be carried forward and applied against future taxable income. For 1970, capital cost allowance claims will be less than depreciation recorded in the accounts.

The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes but the Company, in common with many other companies in the oil and gas industry in Canada, does not believe that tax allocation in respect of drilling, exploration and lease acquisition costs is appropriate. Accordingly, no provision has been made for deferred taxes on timing differences involving such costs.

Had provision for deferred income taxes been made with respect to all differences in timing of deductions for tax and accounting purposes during 1969 and 1970, provisions for deferred income taxes would have been $525,000 in 1970 ($490,000 in 1969), resulting in reductions of net income (after adjustment for minority interest) of $465,000 in 1970 ($432,000 in 1969). The accumulated income tax deferrals relative to all timing differences amounted to approximately $4,000,000 at December 31, 1970.

8. **STATUTORY INFORMATION**

Included in charges against income during the 1970 year are the following:

Remuneration of directors and officers –		
Aggregate remuneration of ten directors as directors		$ 5,000
Aggregate remuneration of six officers (two officers are also directors)		178,000
Interest on funded debt		720,000
Depreciation and depletion –		
Depreciation of plant and equipment	$ 483,000	
Depletion of oil and gas properties	1,586,000	2,069,000

9. **COMMITMENTS**

The Company has issued non-interest bearing demand notes to the Government of Canada as security for the performance of work obligations by the Company and others in respect of normal exploration activity. The aggregate of such notes amounted to approximately $2,295,000 at December 31, 1970.

The Company is committed to make an offer to purchase all of the outstanding preferred and common shares of Western and Texas Oil Co. Ltd. for a maximum cash consideration of $2,303,000. The offer is contingent upon acceptance by the holders of at least 51% of the outstanding shares of each class.

Auditors' Report

To the Shareholders of
WESTERN DECALTA PETROLEUM LIMITED.

We have examined the consolidated balance sheet of Western Decalta Petroleum Limited and its subsidiary companies as at December 31, 1970 and the consolidated statements of income, earned surplus, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Western Decalta Petroleum Limited and its subsidiary companies at December 31, 1970, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in accounting for debenture issue expenses as explained in Note 2 to the financial statements.

Calgary, Canada
February 12, 1971.

CLARKSON, GORDON & CO.
Chartered Accountants.

Ten Year Review

FINANCIAL (Note 1)	1970	1969
Income		
Net oil and gas sales	**$ 5,604,000**	$ 5,032,000
Interest and other income	**196,000**	136,000
Gross income	**5,800,000**	5,168,000
Production and administrative expenses	**1,482,000**	1,331,000
Interest expense	**934,000**	885,000
Cash flow	**3,384,000**	2,952,000
Per share	**0.48**	0.43
Depreciation and depletion	**2,069,000**	1,850,000
Debenture issue items (4)	**(82,000)**	22,000
Minority interests	**179,000**	164,000
Net income (loss) before extraordinary items (4)	**1,218,000**	916,000
Per share	**0.17**	0.14
Extraordinary items – profit	–	107,000
Per share	–	0.01
FINANCIAL POSITION		
Working capital	**3,529,000**	1,274,000
Property and equipment – net	**30,345,000**	29,881,000
Long term debt	**10,399,000**	11,500,000
Deferred production income	**5,401,000**	3,707,000
Shareholders' equity (4)	**16,175,000**	14,277,000
Cost of Finding and Developing Reserves		
Exploration expenditures	**1,401,000**	1,857,000
Development expenditures	**1,076,000**	3,375,000
Totals	**$ 2,477,000**	5,232,000
OPERATING		
Oil Production		
Annual – gross barrels	**1,978,000**	1,783,000
net barrels	**1,679,000**	1,528,000
Daily average – net barrels	**4,600**	4,188
Natural Gas Sales		
Annual – gross mcf	**5,859,000**	4,721,000
net mcf	**5,105,000**	4,144,000
Daily average – net cu. ft.	**13,986,000**	11,354,000
Reserves (3)		
Oil – gross barrels	**33,654,000**	35,694,000
Gas – gross mcf	**208,000,000**	210,000,000
Sulphur – long tons	**645,000**	665,000
Drilling Activity		
Gross wells completed	**50**	45
Net wells completed	**12**	13
Net productive wells	**5**	5
Net dry holes	**7**	8
Land Holdings		
Gross acres	**27,804,000**	30,051,000
Net acres	**11,302,000**	12,130,000
Employees and Shareholders		
Number of employees	**84**	82
Number of shareholders	**5,756**	4,494
Shares outstanding	**7,112,925**	6,939,733

(1) The above statistics are for Western Decalta Petroleum Limited and its subsidiary companies at December 31.

(2) Full-cost method of accounting for exploration and development expenditures was adopted in 1964.

1968	1967	1966	1965	1964	1963	1962	1961
4,683,000	$ 4,166,000	$ 4,046,000	$ 3,605,000	$ 3,538,000	$ 3,268,000	$ 2,400,000	$ 2,325,000
124,000	49,000	110,000	155,000	115,000	113,000	87,000	58,000
4,807,000	4,215,000	4,156,000	3,760,000	3,653,000	3,381,000	2,487,000	2,383,000
1,383,000	1,189,000	1,145,000	977,000	930,000	930,000	677,000	657,000
824,000	678,000	608,000	529,000	351,000	314,000	220,000	203,000
2,600,000	2,348,000	2,403,000	2,254,000	2,372,000	2,137,000	1,590,000	1,523,000
0.38	0.35	0.35	0.33	0.36	0.32	0.24	0.23
1,830,000	1,688,000	1,609,000	1,339,000	1,349,000		see note (2)	
(68,000)	11,000	17,000	56,000	(2,000)			
115,000	93,000	85,000	93,000	125,000			
723,000	556,000	692,000	766,000	900,000	231,000	152,000	(46,000)
0.10	0.08	0.11	0.11	0.14		see note (2)	
	64,000						
	0.01						
2,660,000	1,645,000	365,000	2,481,000	508,000	949,000	819,000	387,000
6,447,000	23,232,000	21,966,000	19,142,000	16,295,000	13,998,000	10,893,000	10,890,000
1,900,000	9,615,000	9,723,000	9,731,000	5,730,000	4,914,000	4,381,000	2,979,000
3,121,000	1,949,000						
3,084,000	12,311,000	11,635,000	10,877,000	9,711,000	8,796,000	8,565,000	8,413,000
1,194,000	1,031,000	1,760,000	1,392,000	811,000	919,000	480,000	407,000
3,747,000	1,983,000	2,589,000	2,750,000	2,676,000	1,489,000	582,000	374,000
4,941,000	3,014,000	4,349,000	4,142,000	3,487,000	2,408,000	1,062,000	781,000
1,699,000	1,720,000	1,683,000	1,446,000	1,440,000	1,362,000	997,000	1,091,000
1,463,000	1,478,000	1,445,000	1,244,000	1,213,000	1,122,000	825,000	897,000
3,997	4,049	3,959	3,408	3,314	3,074	2,260	2,458
3,800,000	1,552,000	1,429,000	1,566,000	1,557,000	1,225,000	915,000	502,000
3,354,000	1,342,000	1,242,000	1,363,000	1,358,000	1,062,000	817,000	460,000
9,164,000	3,677,000	3,403,000	3,734,000	3,710,000	2,910,000	2,238,000	1,260,000
6,988,000	34,721,000	34,103,000	31,514,000	28,628,000	24,176,000	18,956,000	18,300,000
8,000,000	126,800,000	98,200,000	103,200,000	55,800,000	61,500,000	58,500,000	50,000,000
303,000	301,000	305,000	322,000				
40	26	74	74	35	45	15	14
19	9	31	24	17	18	4	4
9	5	24	12	12	11	2	1
10	4	7	12	5	7	2	3
8,137,000	14,919,000	12,479,000	7,072,000	7,440,000	7,596,000	7,579,000	2,544,000
9,585,000	8,731,000	8,579,000	6,654,000	7,129,000	7,166,000	7,216,000	1,424,000
74	71	68	71	71	69	71	60
4,542	4,698	4,934	4,702	4,144	3,993	4,145	4,188
6,883,183	6,866,683	6,828,183	6,767,683	6,581,603	6,569,603	6,569,603	6,569,603

(3) Includes proven and probable additional reserves, excluding minority interests in subsidiary companies. Reserves have been calculated by an independent consultant.

(4) Net income in 1969 and prior years has been retroactively adjusted to reflect amortization of debenture issue expense and premium (discount) on notes and debentures purchased for cancellation.

Subsidiaries

DECALTA'S INTERESTS IN SUBSIDIARIES

COMPANIES	DECALTA'S INTEREST	INCORPORATED UNDER THE LAWS OF	AREAS OF OPERATIONS
ALBERMONT PETROLEUMS INCORPORATED	100.0%	Montana	Montana and Texas
DECALTA OIL DEVELOPMENTS LTD.	100.0%	Canada	Western Canada
DECALTA OIL ENTERPRISES, INC.	100.0%	Montana	Montana and Western Canada
MERCHANTS OIL CO. LTD.	100.0%	Alberta	Alberta
CONSOLIDATED WEST PETROLEUM LIMITED	92.6%	Ontario	Lake Erie, Ontario and Western Canada
NEW BRUNSWICK OILFIELDS, LIMITED	82.0%	New Brunswick	New Brunswick and Western Canada
SOUTH BRAZEAU PETROLEUMS LIMITED	63.0%	Alberta	Alberta
THE PETROL OIL & GAS COMPANY, LIMITED	50.1%	Ontario	Ontario and Western Canada
THE PETROL OIL & GAS CORPORATION	*	Delaware	Texas and Oklahoma
PETROL MINERAL ENTERPRISES LTD.	*	Alberta	Alberta

All of Western Decalta's subsidiary companies are engaged in oil and gas exploration and production in the areas designated.

*Wholly-owned subsidiaries of The Petrol Oil & Gas Company, Limited.

THE PETROL OIL & GAS COMPANY, LIMITED

Western Decalta owns 50.08% of the 3,995,000 total outstanding shares of Petrol and manages the company.

Net income of $298,000 was up $27,000 (10.0%) over 1969, while cash flow increased by $40,000 (8.8%) to $497,000.

Net oil production increased by 9% to 261,000 barrels due to higher allowables in Alberta (Simonette, Pembina and Mitsue fields). Gas production almost tripled from 160,000 to 437,000 net mcf. Production from previously capped wells at Ashmont and Gordondale in Alberta, new production from Matagorda Bay, Texas and full year's operation of the Simonette D-3 gas plant contributed to the increase.

During 1970 Petrol realized a total of $134,000 from the sale of a small working interest in the Ghost Pine Gas Unit in Alberta and its interest in the gas reserves in the Six Nations Indian Reservation in Ontario.

Development expenditures in 1970 amounted to $188,000 which included Petrol's share of an infill drilling program in the Pembina field and the drilling of one well at Obed. Exploration expenditures amounted to $94,000 which included the acquisition of 29,000 net acres in the Beaufort Sea, seismic work in the Northwest Territories and a small interest in a drilling program in the Hussar area of Alberta.

Financial:	**1970**	**1969**
Gross Income	$ 773,000	$ 692,000
Cash Flow	497,000	457,000
Per Share	.12	.11
Depreciation and Depletion	199,000	186,000
Net Income	298,000	271,000
Per Share	.07	.07
Working Capital (Deficiency)	1,028,000	(191,000)
Exploration and Development Expenditures	$ 282,000	$ 696,000
Operations:		
Production –		
Oil (net barrels)	261,000	239,000
Gas (net mcf)	437,000	160,000
Proven and Probable Reserves –		
Oil (gross barrels)	8,232,000	8,594,000
Gas (gross mcf)	22,900,000	19,800,000
Land –		
Gross Acres	11,786,000	12,715,000
Net Acres	487,000	630,000

CONSOLIDATED WEST PETROLEUM LIMITED

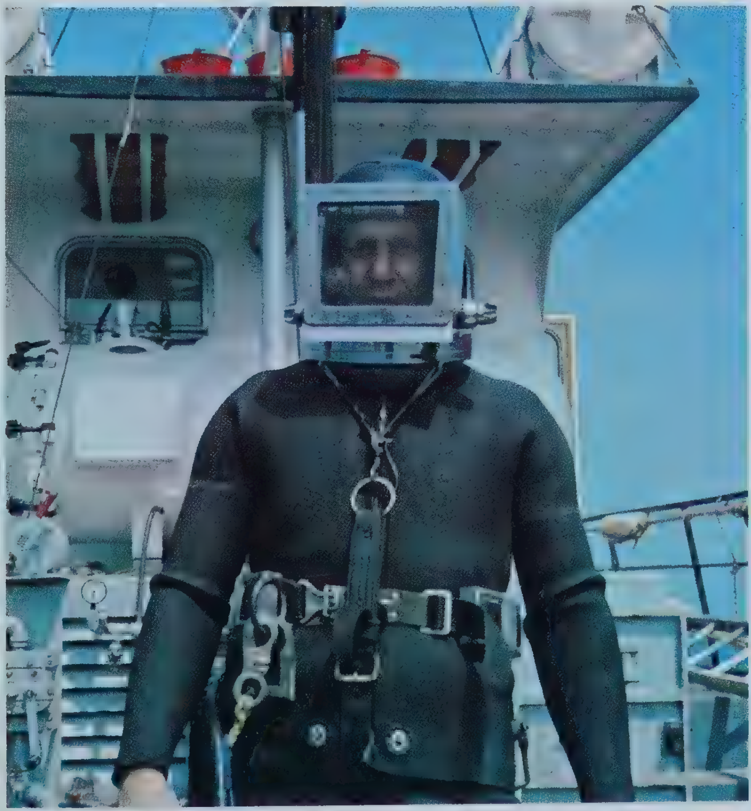
Western Decalta owns 92.6% of the total outstanding shares of C.W.P. and provides managerial services for the company.

The drilling program in the Port Dover area of Lake Erie which began in 1969 was completed during the year. The gas gathering system and the compression facilities were completed in December, 1970 but due to pipeline damage the full production potential of the sixteen wells connected to shore will not be determined until the spring of 1971.

During the year C.W.P. sold production payments totalling $1,150,000 and thus has increased its working capital by $429,000 to $1,533,000 even though exploration and development expenditures totalled $1,168,000. During December, 1970, the company purchased a 15% interest in ten producing oil wells in the Pembina-Breton area of Alberta and a 50% interest in five producing oil wells in the Gull Lake area of Saskatchewan. C.W.P. also acquired small interests in properties totalling 10,800,000 gross permit acres (equivalent of 161,000 net acres) in the Northwest Territories, the Arctic and Atlantic offshore.

Cash flow increased by $29,000 (6.2%) to $496,000 in 1970. Net income before extraordinary item amounted to $298,000 as compared to $317,000 in 1969, a decrease of $19,000 (6.0%). The reduction in net income is attributable to the higher provision for depreciation and depletion (up $48,000 or 32%) as a result of a larger investment in exploration acreage.

Financial:	**1970**	**1969**
Gross Income	$ 666,000	$ 635,000
Cash Flow	496,000	467,000
Per Share	.37	.35
Depreciation and Depletion	198,000	150,000
Income before extraordinary items	298,000	317,000
Per Share	.22	.24
Extraordinary items	–	116,000
Net Income	298,000	433,000
Per Share	.22	.33
Working Capital	1,533,000	1,104,000
Exploration and Development Expenditures	$ 1,168,000	$ 211,000



NEW BRUNSWICK OILFIELDS LIMITED

Western Decalta owns 82% of the 2,050,030 outstanding shares of New Brunswick Oilfields Limited. NBO sells natural gas to the Moncton Utility and also has small oil production from the Stony Creek field. Oil production has shown some improvement as a result of water injection into the formation.

The accompanying map shows that NBO holds exploratory rights on and offshore over most of the sedimentary basin of the Province, namely 5,453,000 acres. From time to time, exploratory wells have been drilled on this property and it is expected that at least one exploratory well will be drilled during 1971.

Corporate

HEAD OFFICE

8th Floor, 630 Sixth Avenue S.W.
Calgary 1, Alberta

REGISTRARS AND TRANSFER AGENTS FOR SHARES

Crown Trust Company –
Calgary, Toronto, Montreal, Vancouver

Bank of America – National Trust
and Savings Association
Los Angeles, California 90014

REGISTRAR AND TRANSFER AGENTS FOR DEBENTURES

Guaranty Trust Company of Canada –
Calgary, Toronto, Montreal, Vancouver

BANKERS

The Royal Bank of Canada – Calgary, Alberta

AUDITORS

Clarkson, Gordon & Co. – Calgary, Alberta

SOLICITORS

MacKimmie Matthews – Calgary, Alberta

SHARES LISTED

Toronto Stock Exchange
Calgary Stock Exchange
Pacific Coast Stock Exchange
American Stock Exchange
(application being processed)

SUBSIDIARY COMPANIES

Albermont Petroleums Incorporated
Consolidated West Petroleum Limited
Decalta Oil Developments Ltd.
Decalta Oil Enterprises, Inc.
Merchants Oil Co. Ltd.
New Brunswick Oilfields, Limited
South Brazeau Petroleums Limited
The Petrol Oil & Gas Company, Limited

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WESTERN DECALTA

PETROLEUM LIMITED

630-6th Avenue S.W., Calgary 1, Alberta   Telephone 269-5551   Area Code 403

L.G. ELHATTON
PH. 269-5551

FOR IMMEDIATE RELEASE:

Calgary, Alberta, March 19, 1971.......Mr. Charles S. Lee, President of WESTERN DECALTA PETROLEUM LIMITED, announced today that the Board of Governors of the American Stock Exchange have approved the Company's application for listing on that Exchange. Trading in the Company's Common Shares on the Exchange is expected to commence on March 31, 1971.

Western Decalta has a considerable number of shareholders in the New York area and it is hoped that this listing, together with that on the Pacific Coast Exchange, will be of benefit both to the Company and to its U.S. shareholders.